FitchRatings

Corporates
Electric-Corporate
Chile

Engie Energia Chile S.A.

Engie Energia Chile S.A.'s ratings reflect Fitch Ratings' view on the strategic incentive that its 60% parent, Engie S.A. (A-/Stable), has to support its subsidiary in Chile to meet its global zero-carbon transition program, given the asset rotation plan is instrumental for Engie's net zero targets.

Fitch has shifted to a bottom-up rating approach following a reassessment of the ties between Engie Chile and its parent under the *Parent and Subsidiary Linkage Rating Criteria*. The ratings reflect the company's solid contracted position, with an average life of nine years for its power purchase agreements (PPAs). Fitch forecasts Engie Chile's EBITDA leverage to remain between 4.0x and 4.5x during the transition period.

Key Rating Drivers

Revised Linkage Assessment: Fitch revised its assessment of the parent's strategic incentive to support Engie Chile to medium, from weak, as Fitch sees Engie Chile as strategically important to meet the parent's global net zero carbon goals; the subsidiary will disconnect or convert existing coal-based units by end-2025.

During the distressed period of 2023, Engie Chile received support from the parent via a short-term credit line of USD150 million, of which Engie Chile used and fully repaid USD75 million. The parent also provided natural gas supply when TotalEnergies SE (AA-/Stable) disrupted supply of liquefied natural gas, avoiding the need to buy energy at spot prices.

Legal incentives to support the subsidiary remain weak, as there are no guarantees by the parent or cross-default clauses for Engie Chile's debt. Operational incentives are low. While both entities have the same core business and there is some common management, operational benefits to the parent are not material.

Switch to Bottom-Up Rating Approach: Fitch believes support from Engie in 2023 increases the prospect of future support, if needed, during the transition period. Fitch also expects EBITDA leverage to remain between 4.0x and 4.5x, with interest coverage around 4.0x, during Engie Chile's transition period. This is commensurate with a Standalone Credit Profile (SCP) of 'bbb-' under Fitch's sector navigator for global electricity generators. These factors combined drove Fitch to take a bottom-up plus one approach that results in an Issuer Default Rating (IDR) of 'BBB', versus the previous standalone rating approach.

Solid Contractual Position: Engie Chile has a strong contracted profile, with long-term PPAs with average life of nine years, reaching six years with regulated customers and 10 years with unregulated clients. Fitch estimates Engie Chile will be 100% contracted until 2028.

The company's long-term revenue visibility is anchored in PPAs with strong counterparties, mainly in the mining sector. These include Antofagasta PLC (BBB+/Stable), Corporacion Nacional del Cobre de Chile (CODELCO) (BBB+/Stable), Freeport Minerals Corporation (BBB/Stable) and CAP S.A. (BBB-/Negative). Engie Chile's entrenched business position in the mining industry is bolstered by more than 2,400km of dedicated transmission lines.

Decarbonization Strategy on Track: Engie Chile expects to remove and convert about 1,000MW of coal-based installed capacity by end-2025, or 42% of gross installed capacity as of December 2023. Since the decarbonization agreement was reached, Engie Chile has decommissioned the equivalent of 440MW of coal-based capacity.

Engie Chile plans to convert its Infraestructura Energética Mejillones plant (375MW) into a combined cycle natural gas unit and its Central Térmica Andina and Central Térmica Hornitos plants (348MW) to start using biomass, while other coal assets may be left as back-up units in the grid. Remaining coal capacity will be decommissioned. The total investment to convert these units will be about USD75 million. It expects to fully execute the plan by end-2025.

Ratings

Engie Energia Chile S.A.

Long-Term IDR	BBB
Long-Term Local-Currency IDR	BBB
National Long-Term Rating	AA-(cl)
Senior Unsecured Debt - Long-Term Rating	BBB

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 67

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (November 2023)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

National Scale Rating Criteria (December 2020)

Chilean Equity Rating Criteria (August 2021)

Corporate Rating Criteria (November 2023)

Related Research

Global Corporates Macro and Sector Forecasts

Latin American Utilities Outlook 2024 (December 2023)

Analysts

Wellington Senter
+55 21 4503 2606
wellington.senter@fitchratings.com

Jose Ramon Rio
+56 2 3321 2915
joseramon.rio@fitchratings.com

Reduced Merchant Exposure: EBITDA during 2023 was about USD400 million, above the USD189 million in 2022. The company's increased generation from renewable sources, combined with back-up PPAs, has significantly reduced the merchant exposure to cover its contracted capacity. Back-up PPAs for up to 3,400GW hours annually will lower spot purchase hedging up to 25% of Engie Chile's total expected energy sales between 2024 and 2026. In addition, generation from new renewable projects acquired in the south of Chile and energy injected from battery energy storage systems in non-solar hours reduce the company´s spot purchases.

Expansion Plan Impacts Cash Flow: Fitch expects structurally negative FCF through 2024 to 2025 as Engie Chile implements its asset rotation plan, which will require capex of about USD1.0 billion. The company will not pay dividends in 2024, because it had a USD490 million impairment in 2023, but will gradually resume dividend pay-outs, with the ratio reaching 30% of the previous year's recurring net income in 2025 and 50% after that.

Equity Rating: Fitch rates Engie Chile's shares at 'Primera Clase Nivel 2(cl)' based on its solvency and free float of 40.01%, according to its ownership structure. In terms of liquidity, it has 100% market presence and daily traded volume at USD644 million during February 2024.

Financial Summary

(USD Mil.)	2021	2022	2023	2024F	2025F	2026F
Gross revenue	1,479	1,920	2,188	1,785	1,760	1,553
EBITDA margin (%)	20.7	9.4	18.0	27.1	28.6	32.3
EBITDA interest coverage (x)	4.0	3.2	4.0	6.7	7.6	8.0
EBITDA leverage (x)	3.5	9.9	5.5	3.4	3.2	3.1
EBITDA net leverage (x)	2.8	9.1	4.7	3.0	2.9	2.8

F — Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Engie Chile is an integrated utility company in Chile that benefits from a diversified business profile with distribution balanced between nonregulated and regulated clients, similar to Colbun S.A. (BBB+/Stable) and Enel Chile S.A. (BBB+/Stable). Engie Chile has lower exposure to hydrological risks than its peers, as its generation assets are mostly concentrated in thermal units, while Enel Generacion Chile S.A. (BBB+/Stable) and Colbun present a more balanced generation mix between hydro and thermal. AES Andes S.A. (BBB-/Stable) is mainly concentrated in thermal units and has a small portion of hydroelectricity generation in Chile.

Engie Chile's credit profile benefits from a diverse generation portfolio, with long-term contracted energy sales with investment-grade counterparties. Engie Chile's PPAs have an average remaining life of nine years, providing stable cash flow. Fitch forecasts Engie Chile's leverage at between 4.0x and 4.5x during 2024-2026, while Enel Generacion Chile's capital structure is the strongest among its peers in Chile, with gross leverage below 2.0x in recent years. Fitch expects Colbun's leverage to remain at 2.5x-3.0x, while AES Andes' will be around 4.0x.

Engie Chile has a smaller scale of operation and lower EBITDA generation compared to its parent, Engie. Engie is a large international utility based in France, with total installed capacity of 41.4GW, well-diversified asset base and global footprint exposure across western Europe. Engie has annual EBITDA of more than EUR13 billion.

Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Andes S.A.	BBB-/Stable	a-	bbb	a-	bbb+	bbb	bbb	bbb-	bbb	bbb-
Colbun S.A.	BBB+/Stable	a-	bbb+	bbb+	bbb+	a-	bbb+	bbb	bbb+	bbb+
Empresa Electrica Cochrane SpA	BBB-/Stable	a-	bbb	a-	bb+	bb+	bbb+	bbb	bbb-	bbb
Enel Chile S.A.	BBB+/Stable	a-	bbb+	a-	bbb+	a-	bbb+	bbb	bbb	bbb+
Enel Generacion Chile S.A.	BBB+/Stable	a-	bbb+	bbb+	bbb+	a-	bbb	bbb	a-	bbb+
Engie Brasil Energia S.A.	BB+/Stable	bb+	a-	bbb	bbb-	bbb-	bbb-	bb+	bbb-	bbb
Engie Energia Chile S.A.	BBB/Stable	a-	a-	bbb	bbb	bbb-	bbb	bbb-	bbb-	bbb

Source: Fitch Ratings.

Relative Importance of Factor: Higher / Moderate / Lower

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Andes S.A.	BBB-/Stable	+3	+1	+3	+2	+1	+1	0	+1	0
Colbun S.A.	BBB+/Stable	+1	0	0	0	+1	0	-1	0	0
Empresa Electrica Cochrane SpA	BBB-/Stable	+3	+1	+3	-1	-1	+2	+1	0	+1
Enel Chile S.A.	BBB+/Stable	+1	0	+1	0	+1	0	-1	-1	0
Enel Generacion Chile S.A.	BBB+/Stable	+1	0	0	0	+1	-1	-1	+1	0
Engie Brasil Energia S.A.	BB+/Stable	0	+4	+2	+1	+1	+1	0	+1	+2
Engie Energia Chile S.A.	BBB/Stable	+2	+2	0	0	-1	0	-1	-1	0

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR / Within one notch of IDR / Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Positive rating action is unlikely in the short to medium term due to Engie Chile's transition plan to shift to renewable assets from coal. A successful completion of the transition plan, combined with Engie Chile's ability to preserve strong liquidity, low leverage and a solid contractual position, would be viewed positively by Fitch.
- Tangible support from Engie in the form of strong legal incentives.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A change in Engie Chile's commercial policy that results in an imbalanced long-term contracted position.
- EBITDA leverage consistently above 4.5x, combined with EBITDA fixed-charge coverage below 3.0x.
- Weakening prospects of support from Engie if needed by Engie Chile to meet its parent's global decarbonization strategy.
- Inability to recontract a significant portion of expiring contracts.
- Potential acquisitions that diminish credit metrics.
- If Engie Chile does not satisfactorily implement an asset transition plan shifting to renewable assets from coal-based units.
- Pressure from shareholders that results in a significant increase in dividend payments beyond the company's plan.
- Inability to implement Engie Chile's backup PPAs or the strategy to reduce its merchant exposure.

Liquidity and Debt Structure

Adequate Liquidity: Liquidity was supported by cash on hand of about USD301 million as of December 2023, and the company's short-term debt was USD332 million. In addition, Engie Chile expects to monetize certificates of payments from the price stabilization mechanism in 2024 to repay short-term maturities.

The company's debt consists of two international notes totaling USD850 million and bank debt. Fitch expects USD350 million notes due 2025 to be refinanced during 2024.

ESG Considerations

Engie Chile has an ESG Relevance Score of '4' for GHG Emissions & Air Quality, due to its high reliance on coal for energy generation, as the Chilean government and generation companies have agreed to completely phase out coal generation by 2040. The reliance on coal has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The 2023 revenue-weighted Climate.VS for Engie Chile for 2035 is 67 out of 100, which is in line with power generation peers that rely on coal, as Engie Chile still has installed capacity based on coal. The score reflects potential risks related to policies that require lower carbon emissions over time and encourage reduced usage of fossil fuels in favor of renewable sources. This poses near-term risks arising from higher costs driven by the need to reduce emissions and longer-term risks stemming from the reduction in demand for fossil fuels as the world transitions toward renewable fuels.

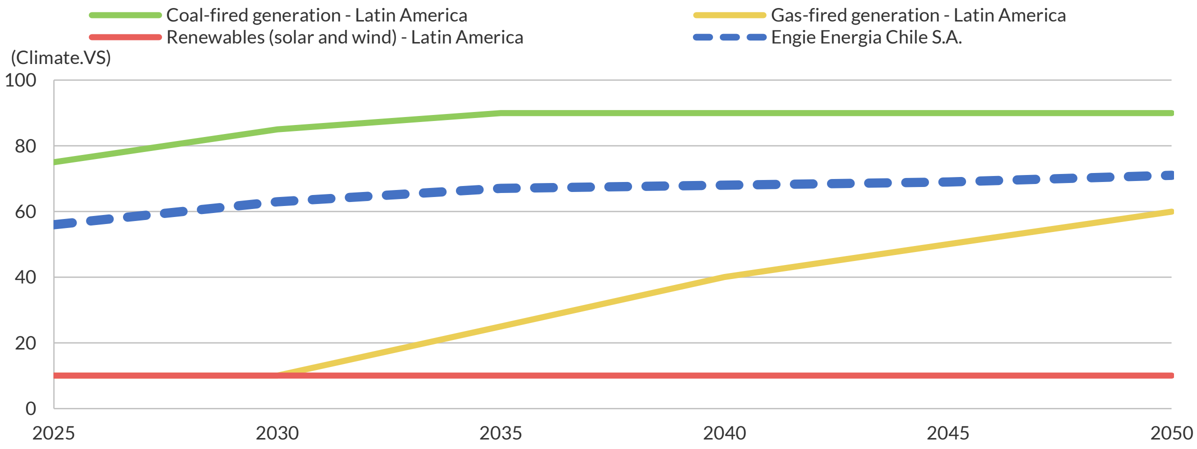
Engie Chile has committed to phase out coal from its generation matrix by the end of 2025. Reaching this significant milestone will depend on retirement or sale of coal-based units or their conversion to zero-emissions technologies, and if Chilean electric system requirements make disconnection infeasible given the transmission limitations. Fitch will reassess its revenue-weighted Climate.VS for Engie Chile once the company reaches this milestone.

Fitch believes meaningful energy transition will take several decades. Key transition risks arise from potential reduction in demand driven by policies to reduce the use of coal in the global economy and, in the shorter term, from policies designed to limit greenhouse gas emissions from thermal sources. These risks do not have a material influence on the rating currently, given the very long-term time frame for the transition and uncertainty regarding the extent and nature of changes, and markets' and companies' reaction to them.

For further information on how Fitch perceives climate-related risks in the Utilities sector, see Utilities - Long-Term Climate Vulnerability Signals Update.

Climate.VS Evolution

As of Dec. 31, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

Engie Energia Chile S.A.

Cash and Maturities Report (USD 000)	December 31, 2022	December 31, 2023
Total cash and cash equivalents	132,365	301,327
Short-term investments		50
Less not readily available cash and cash equivalents	—	—
Fitch-defined readily available cash and cash equivalents	**132,365**	**301,377**
Availability under committed lines of credit	—	—
Total liquidity	132,365	301,377
LTM EBITDA after associates and minorities	179,650	393,118
LTM FCF	-631,612	-189,144

Source: Fitch Ratings, Fitch Solutions, Engie Energia Chile S.A.

Scheduled debt maturities (USD 000)	December 31, 2023
2024	331,704
2025	493,768
2026	519,459
2027	308,199
2028	
Thereafter	492,104
Total	**2,145,234**

Source: Fitch Ratings, Fitch Solutions, Engie Energia Chile S.A.

Key Assumptions

- Annual energy sales of around 12,000GWh in 2024-2025, declining to 11,000 GWh in 2026 and 10,000 GWh in 2027.
- Approximately 1,000MW of coal capacity decommissioned or converted by the end of 2025.
- Thermal coal (Australia Newcastle) at USD100 per tonne during 2024, USD90 per tonne in 2025, USD80 per tonne during 2026 and USD75 per tonne in the mid-cycle.
- Natural gas Henry Hub (HH) at USD3.25 per thousand cubic feet (mcf) in 2024, USD3.00 per mcf in 2025 and USD2.75 per mcf in the long term.
- Bridge PPAs for 3,300GWh in 2023, with a step toward 3,600GWh in 2024.
- Additional 1.3GW of renewable capacity in 2024-2026.
- Annual capex of approximately USD530 million in 2024, USD385 million during 2025 and USD250 million in 2026, including maintenance, investments on renewable projects and transmission expansion.
- Refinance of the USD350 million notes due in 2025.
- Trasmisora Electrica del Norte not consolidated under Engie, with no recurring dividends expected from it during 2024-2026.
- No dividend payments during 2024, with dividend pay-out of 30% of the previous year net income in 2025, and up to 50% after that.

Financial Data

Engie Energia Chile S.A.

(USD Mil.)	2021	2022	2023	2024F	2025F	2026F
Summary income statement						
Gross revenue	1,479	1,920	2,188	1,785	1,760	1,553
Revenue growth (%)	9.4	29.9	13.9	-18.4	-1.4	-11.8
EBITDA before income from associates	306	180	393	483	503	501
EBITDA margin (%)	20.7	9.4	18.0	27.1	28.6	32.3
EBITDA after associates and minorities	306	180	393	483	503	501
EBITDAR	306	180	393	483	503	501
EBITDAR margin (%)	20.7	9.4	18.0	27.1	28.6	32.3
EBIT	121	-460	-403	281	292	284
EBIT margin (%)	8.2	-23.9	-18.4	15.8	16.6	18.3
Gross interest expense	-83	-69	-121	-73	-66	-63
Pretax income including associate income/loss	61	-521	-499	210	226	222
Summary balance sheet						
Readily available cash and equivalents	216	132	301	184	156	176
Debt	1,058	1,776	2,145	1,640	1,600	1,560
Lease-adjusted debt	1,058	1,776	2,145	1,640	1,600	1,560
Net debt	842	1,643	1,844	1,456	1,444	1,384
Summary cash flow statement						
EBITDA	306	180	393	483	503	501
Cash interest paid	-76	-56	-98	-73	-66	-63
Cash tax	-0	-11	-32	-27	-29	-28
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-2	-349	-97	0	0	0
FFO	228	-235	173	385	408	411
FFO margin (%)	15.4	-12.3	7.9	21.6	23.2	26.5
Change in working capital	-101	-199	173	11	2	16
CFO (Fitch-defined)	126	-434	345	396	410	427
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-209	-197	-535	—	—	—
Capital intensity (capex/revenue) (%)	14.1	10.3	24.4	—	—	—
Common dividends	-91	—	—	—	—	—
FCF	-173	-632	-189	—	—	—
FCF margin (%)	-11.7	-32.9	-8.6	—	—	—
Net acquisitions and divestitures	—	-116	—	—	—	—
Other investing and financing cash flow items	5	2	27	200	—	—
Net debt proceeds	119	663	331	-153	-40	-40
Net equity proceeds	24	—	—	—	—	—
Total change in cash	-26	-83	169	7	-28	20
Leverage ratios (x)						
EBITDA leverage	3.5	9.9	5.5	3.4	3.2	3.1
EBITDA net leverage	2.8	9.1	4.7	3.0	2.9	2.8
EBITDAR leverage	3.5	9.9	5.5	3.4	3.2	3.1
EBITDAR net leverage	2.8	9.1	4.7	3.0	2.9	2.8
FFO adjusted leverage	3.5	-9.8	8.1	3.6	3.4	3.3
FFO adjusted net leverage	2.8	-9.1	7.0	3.2	3.0	2.9
FFO leverage	3.5	-9.8	8.1	3.6	3.4	3.3
FFO net leverage	2.8	-9.1	7.0	3.2	3.0	2.9
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-299	-314	-535	-435	-398	-367
FCF after acquisitions and divestitures	-173	-748	-189	-40	12	60
FCF margin after net acquisitions (%)	-11.7	-39.0	-8.6	-2.2	0.7	3.9

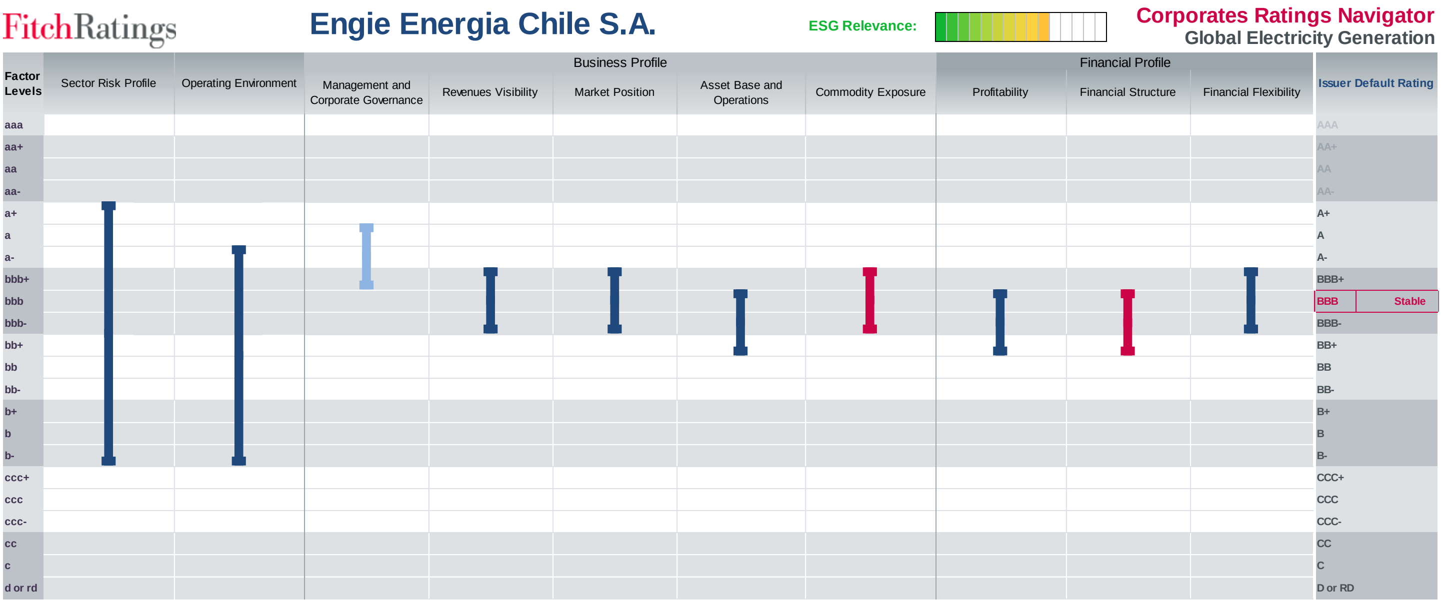
(USD Mil.)	2021	2022	2023	2024F	2025F	2026F
Coverage ratios (x)						
FFO interest coverage	4.0	-3.2	2.7	6.3	7.2	7.5
FFO fixed-charge coverage	4.0	-3.2	2.7	6.3	7.2	7.5
EBITDAR fixed-charge coverage	4.0	3.2	4.0	6.7	7.6	8.0
EBITDAR net fixed-charge coverage	4.0	3.3	4.3	6.7	7.7	8.0
EBITDA interest coverage	4.0	3.2	4.0	6.7	7.6	8.0
Additional metrics (%)						
CFO-capex/debt	-7.8	-35.6	-8.8	-0.6	3.7	7.1
CFO-capex/net debt	-9.8	-38.4	-10.3	-0.7	4.1	8.0
CFO/capex	60.5	-220.0	64.6	97.4	116.7	135.1

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

FitchRatings

Engie Energia Chile S.A.

Corporates Ratings Navigator
Global Electricity Generation

Operating Environment

a	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
a-	Financial Access	a	Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	a	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'a'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	aa	Transparent group structure.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Revenues Visibility

a-	Contracted Position	a	Balanced position under long term PPAs or incentives (typically more than 7 year average remaining life).
bbb+	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb	System / Capacity Payments	a	Well established and transparent market pricing structure with minimal political interference providing long-term price visibility for power generators.
bbb-	Degree of Supply Integration	bbb	Balanced supply integration with strong retail position contributing to cash-flow stability and predictability.
bb+	Resource Predictability	bbb	Stable and predictable capacity factor.

Market Position

a-	Supply/Demand Dynamics	a	Beneficial outlook for prices. Adequate or tight reserve margins and limited capacity expansion prospects in market over the medium to long-term.
bbb+	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb	Relative Size and Scale	bb	Company supplies more than 10% of electricity to the systems where it operates or strong competitive position in a regional market.
bbb-			
bb+			

Asset Base and Operations

bbb+	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
bbb	Exposure to Environmental Regulations	bb	Significant exposure to environmental regulations. Energy production largely deriving from thermal sources; high carbon exposure.
bbb-	Capital and Technological Intensity of Capex	bb	Reinvestment concentrated in capital-intensive or unproven technologies.
bb+			
bb			

Commodity Exposure

a-	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
bbb+	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb	Hedging Strategy	bbb	Portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb-			
bb+			

Profitability

bbb+	Free Cash Flow	bbb	Structurally neutral to slightly negative FCF across the investment cycle.
bbb	Cash Flow Predictability	bb	Lower stability and predictability of cash flow relative to peers.
bbb-			
bb+			
bb			

Financial Structure

bbb+	EBITDA Leverage	bb	4.8x
bbb	FFO Leverage		n.a.
bbb-	FFO Net Leverage		n.a.
bb+			
bb			

Financial Flexibility

a-	Financial Discipline	bbb	Less conservative policy, but generally applied consistently.
bbb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bbb	FFO Interest Coverage		n.a.
bbb-	DSCR	bbb	Expected average DSCR of >1.8 for high merchant exposure or >1.3 for amortizing debt with well contracted business profile.
bb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Engie Energia Chile S.A. has 1 ESG rating driver and 11 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

Overall ESG

key driver	0	issues	5
driver	1	issues	4
potential driver	11	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Engie Energia Chile S.A.

Corporates Ratings Navigator
Global Electricity Generation

Credit-Relevant ESG Derivation

Engie Energia Chile S.A. has 1 ESG rating driver and 11 ESG potential rating drivers

- Engie Energia Chile S.A. has exposure to emissions regulatory risk which, in combination with other factors, impacts the rating.
- Engie Energia Chile S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- Engie Energia Chile S.A. has exposure to waste & impact management risk but this has very low impact on the rating.
- Engie Energia Chile S.A. has exposure to extreme weather events but this has very low impact on the rating.
- Engie Energia Chile S.A. has exposure to access/affordability risk but this has very low impact on the rating.
- Engie Energia Chile S.A. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

ESG Relevance to Credit Rating

key driver	0	issues	5
driver	1	issues	4
potential driver	11	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	4	Emissions from operations	Asset Base and Operations
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability

E Relevance: 5, 4, 3, 2, 1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure

S Relevance: 5, 4, 3, 2, 1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Relevance: 5, 4, 3, 2, 1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

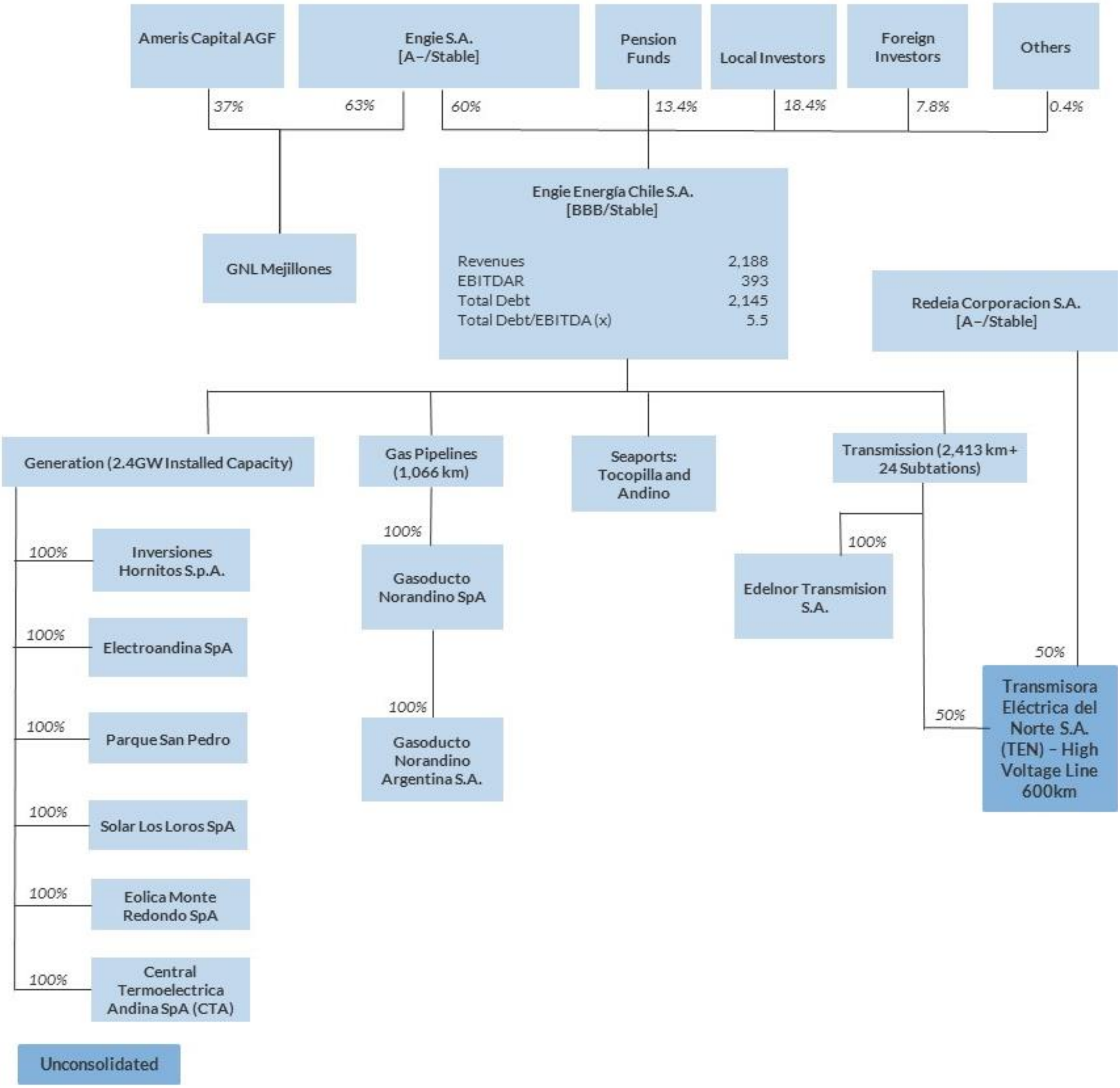
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Engie Energía Chile S.A.
(USD mil., as of December 31st, 2023)



Source: Fitch Ratings, Fitch Solutions, Engie Energía Chile S.A.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDAR margin (%)	Capex (USD Mil.)	EBITDAR (USD Mil.)	FCF margin (%)	EBITDA net leverage (x)
Engie Energia Chile S.A.	BBB						
	BBB	2023	18.0	-535	393	-8.6	4.7
	BBB	2022	9.4	-197	180	-32.9	9.1
	BBB+	2021	20.7	-209	306	-11.7	2.8
AES Andes S.A.	BBB-						
	BBB-	2022	30.9	-593	797	-18.3	3.2
	BBB-	2021	38.8	-676	1,075	-20.5	1.7
	BBB-	2020	41.6	-570	1,044	4.4	3.2
Colbun S.A.	BBB+						
	BBB+	2023	34.4	-522	688	-9.2	1.4
	BBB+	2022	37.5	-274	740	-0.4	1.2
	BBB+	2021	34.6	-254	498	-85.6	1.8
Empresa Electrica Cochrane SpA	BBB-						
	BBB-	2022	34.3	-3	202	14.2	3.7
	BBB-	2021	39.1	-2	160	8.2	4.9
	BBB-	2020	46.5	-3	161	20.9	5.1
Enel Chile S.A.	BBB+						
	A-	2022	23.4	-1,081	1,337	-7.9	2.5
	A-	2021	18.1	-907	596	-26.3	7.5
	A-	2020	34.9	-760	1,238	-14.0	3.1
Enel Generacion Chile S.A.	BBB+						
	A-	2022	22.2	-199	979	3.7	1.0
	A-	2021	13.6	-187	299	-8.1	3.7
	A-	2020	36.6	-206	749	-6.9	1.5
Engie Brasil Energia S.A.	BB+						
	BB	2022	54.7	-445	1,147	0.2	2.5
	BB	2021	45.9	-599	837	-12.7	2.8
	BB	2020	50.3	-661	961	-2.4	2.2
Engie S.A.	A-						
	A-	2022	12.9	-6,688	12,929	-2.4	1.9
	A-	2021	16.3	-6,696	10,646	-3.0	2.6
	A	2020	17.7	-5,914	9,528	2.2	2.7

Source: Fitch Ratings, Fitch Solutions

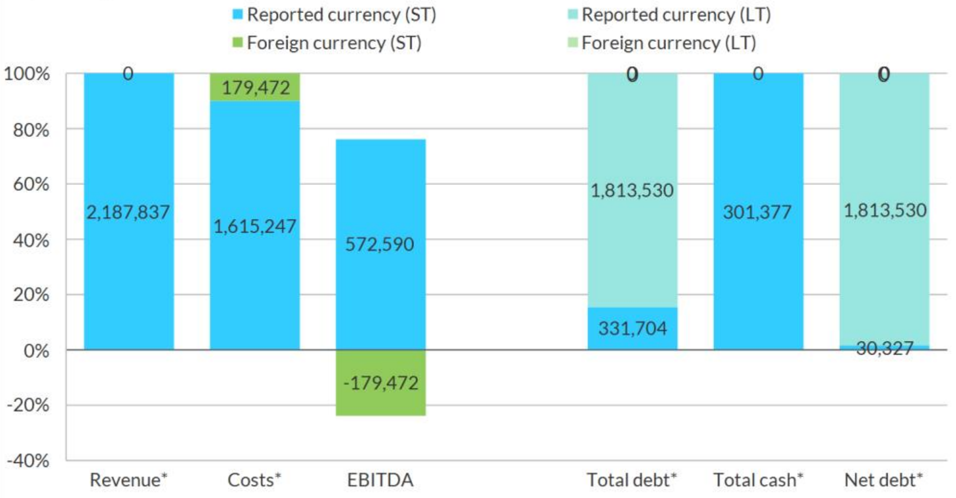
Fitch Adjusted Financials

(USD 000 as of December 31, 2023)	Notes and formulas	Standardised values	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue		2,187,837	—	—	2,187,837
EBITDA	(a)	402,897	-9,779	—	393,118
Depreciation and amortization		-177,744	2,975	—	-174,769
EBIT		-395,887	-6,804	—	-402,691
Balance sheet summary					
Debt	(b)	2,236,904	-106,607	14,937	2,145,234
Of which other off-balance-sheet debt		—	—	—	—
Lease-equivalent debt		—	—	—	—
Lease-adjusted debt		2,236,904	-106,607	14,937	2,145,234
Readily available cash and equivalents	(c)	301,377	—	—	301,377
Not readily available cash and equivalents		—	—	—	—
Cash flow summary					
EBITDA	(a)	402,897	-9,779	—	393,118
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—
Interest paid	(e)	-98,350	—	—	-98,350
Interest received	(f)	6,291	—	—	6,291
Preferred dividends paid	(g)	—	—	—	—
Cash tax paid		-31,800	—	—	-31,800
Other items before FFO		-99,715	2,975	—	-96,740
FFO	(h)	179,323	-6,804	—	172,519
Change in working capital		172,951	—	—	172,951
CFO	(i)	352,274	-6,804	—	345,470
Non-operating/nonrecurring cash flow		—	—	—	—
Capex	(j)	-534,614	—	—	-534,614
Common dividends paid		—	—	—	—
FCF		-182,340	-6,804	—	-189,144
Gross leverage (x)					
EBITDA leverage	b / (a+d)	5.6	—	—	5.5
(CFO-capex)/debt (%)	(i+j) / b	-8.2	—	—	-8.8
Net leverage (x)					
EBITDA net leverage	(b-c) / (a+d)	4.8	—	—	4.7
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-9.4	—	—	-10.3
Coverage (x)					
EBITDA interest coverage	(a+d) / (-e)	4.1	—	—	4.0

CFO – Cash flow from operations
Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, Engie Energia Chile S.A.

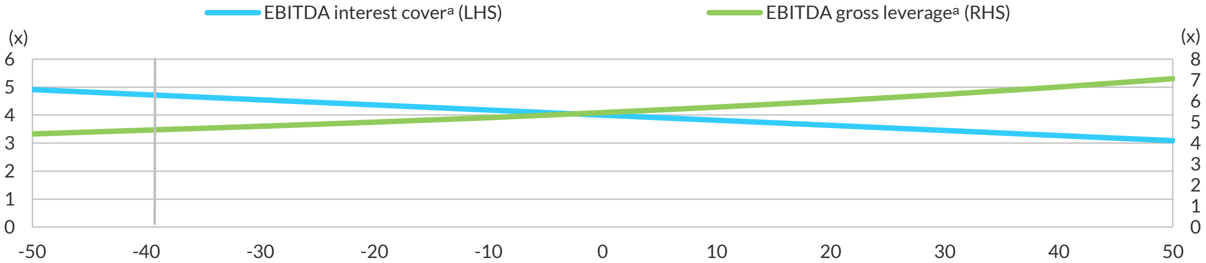
FX Screener

Fitch FX Screener
(Engie Energia Chile S.A. — BBB/Stable, Dec-23, USDth)



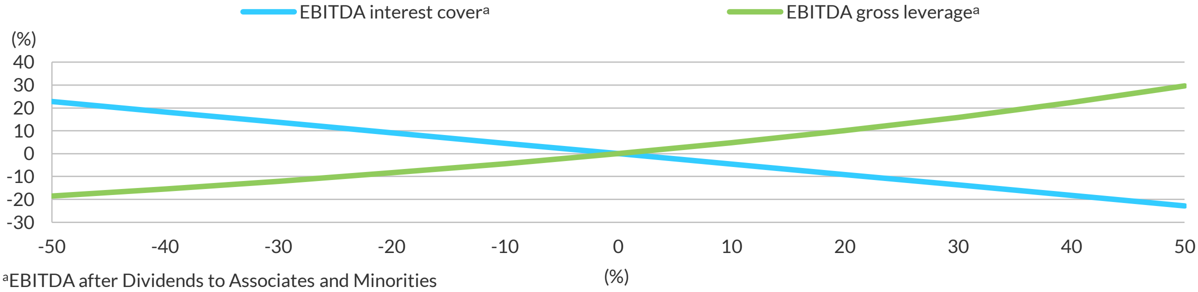
* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information

Fitch FX Screener - Foreign to Reported Currency Stress Test - Absolute Variation
(Engie Energia Chile S.A.–BBB/Stable, December, 2023)



[a]EBITDA after Dividends to Associates and Minorities
Source: Fitch Ratings

Fitch FX Screener - Foreign to Reported Currency Stress Test - Relative Variation
(Engie Energia Chile S.A.–BBB/Stable, December, 2023)



[a]EBITDA after Dividends to Associates and Minorities
Source: Fitch Ratings

Parent Subsidiary Linkage Analysis

Key Risk Factors and Notching Approach

Parent	Engie S.A.
Parent LT IDR	A-
Subsidiary	Engie Energia Chile S.A.
Subsidiary LT IDR	BBB
Path	Stronger Parent
Legal incentive	Low
Strategic incentive	Medium
Operational incentive	Low
Notching matrix outcome	Bottom Up+1
Override applied	No
Notching approach	—

LT IDR – Long-Term Issuer Default Rating
Source: Fitch Ratings

Stronger Parent Notching Matrix

Strategic incentives and operational incentives	**Both low**	**One medium, one low**	**Both medium or one high, one low**	**One strong, one medium**	**Both high**
With low legal incentive	Standalone	BU+1[a]	BU+2[a]	TD-1[b]	Equalized
With medium legal incentive	BU+1[a]	BU+2[a]	TD-1[b]	Equalized	Equalized
With high legal incentive	Equalized	Equalized	Equalized	Equalized	Equalized

[a] BU rating outcomes are capped at TD-1 where the subsidiary's SCP is more than one notch away from the consolidated profile, but the subsidiary's rating will be equalized where the subsidiary's SCP is one notch below the consolidated profile. [b] TD-1 rating outcomes will be equalized where the subsidiary's SCP is one notch below the consolidated profile. BU – Bottom-up, notched from the lower Standalone Credit Profile (SCP). TD – Top-down, notched from the consolidated profile.
Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.